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SUBJECT: BRAZIL: PUTIN PAYS A CALL

1. (SBU) Summary and Introduction: During his November 22 visit to Brazil, Russian President Vladimir Putin endorsed Brazil's bid for a permanent UNSC seat and received from Brazilian President Lula reciprocal support for Russia's accession to the WTO. However, neither side achieved its principal objective from the talks: for Brazil, an end to the Russian embargo on Brazilian beef, and for Russia, Brazilian agreement to select from among five competitors the Sukhoi Su-35 for its next generation fighter aircraft (F-X). In an agreement that had been prepared months earlier, the two countries signed an umbrella MOU for cooperation in developing Brazil's space program. A successful visit, perhaps, but far less intense -- and arguably less important -- than the visit to Brazil of Chinese President Hu Jintao a week earlier. End Summary

Two Backs Lightly Scratched

2. (SBU) The first visit of a Russian leader to Brazil contained much upbeat rhetoric, good photo ops (such as a Putin appearance at soccer's holy ground, Rio's Maracana Stadium), but offered little substance. With Putin's blessing, Brazil received Russian endorsement for a permanent seat on the UNSC. Lula reciprocated with Brazilian support for Russia's WTO accession. Neither action was unexpected, and neither was much of a concession. During earlier high level visits to Moscow, Brazil had already received quiet assurances of Russian support for its UNSC bid. Brazil, also, sacrificed little by offering support to Russia for membership in the WTO. In backing Russia, Lula presented a vision of a "truly advanced development policy," while Putin boosted Brazil as "the largest country in Latin America and a strategic partner." The two countries, Putin noted, have almost no "contradictions" in foreign policy and hold similar approaches to key international issues, which makes the two "almost allies."

Lula Asks "Where's the Beef?"
"Come Fly with Me" Putin Responds

3. (SBU) Almost allies, perhaps, but not totally bosom buddies. Citing sanitary concerns over foot-and-mouth disease (FMD), the GOR banned imports of all types of Brazilian beef in September (which, depending on the complaining source, costs Brazil anywhere from between \$1 and \$4 million/day in lost sales). In a "sign of good will," Russia agreed to lift the ban on beef from the disease-free state of Santa Catarina; beef imports from the rest of the country, however, remain embargoed. Defending its cattle industry, Brazil argued that the infected cattle were only from the northern state of Amazonas; all other regions are disease-free with vaccination, except for Santa Catarina, which is free without vaccination. The two leaders issued a joint statement that both parties are working to sort the issue out.

4. (SBU) Meanwhile, regarding the selection of Brazil's next generation jet fighter (F-X), the GOB decided at the present time not to take the Russian offer for purchase of 12 Sukhoi SU-35 "Super Flanker" jet fighters, even with the Russian sweetener -- purchase of 50 Embraer passenger aircraft. (Note: Based on press reports, this deal appeared to have been supported by Vice President -- now also Defense Minister -- Jose Alencar during his October visit to Russia. End note) Instead, Presidential Foreign Policy Advisor Marco Aurelio Garcia told the press that a decision on the long-running F-X competition will not come before 2005.

5. (U) In an expected deliverable, Russia and Brazil signed a MOU on cooperation on Brazil's nascent space program, centered at the Brazilian launch facility at Alcantara. The MOU discusses joint development of a newer version of Brazil's satellite launch rocket and geostationary satellites to be used for communications and navigation. The Russians will also help Brazil improve the infrastructure at Alcantara. Agreement on a broad umbrella accord had been reached months earlier. Unlike Brazil's recent accord with Ukraine, the MOU is not a technical safeguards agreement.

6. (SBU) Comment: The Putin visit provided Brazil as good an excuse as any to close an F-X deal with the Russians, if it so desired. Evidently, it did not. The GOB decision not

to announce selection of the Sukhoi, or any other aircraft -- to kick the F-X can down the road yet again -- reinforces our belief that the Lula administration still suffers from sticker shock for the fighters (roughly \$700 million for 12 aircraft.)

17. (SBU) Comment cont.: Coming on the heels of Chinese President Hu Jintao's vaunted five-day visit, and in the midst of other presidential-level delegations from Canada, Vietnam, South Korea and Morocco, the visit of President Putin appears to have met with far less concentrated attention than it would otherwise have received. Certainly, it cannot compare with the intense negotiations that took place a week earlier with the Chinese. From a trade perspective, perhaps, the visit received the attention it deserved. While bilateral trade in 2003 between Brazil and Russia reached over \$2 billion, it is still well less than one-third the level with China -- and only an eighth of trade with the U.S.
Chicola